

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of

Petition of Verizon for Further Forbearance
from Separate Affiliate Requirements in
Connection with 1+ Calls from Payphones

02-200

PETITION FOR FORBEARANCE

Last year, the Commission gave AT&T permission to stop carrying interLATA sent-paid (coin) calls from payphones owned by the Verizon telephone companies ("Verizon")¹ and other payphone providers.² AT&T was the only interexchange carrier that provided this service from Verizon's "dumb" payphones. As the Telecommunications Research and Action Center told the Commission, AT&T's withdrawal "render[s] these 'dumb' payphones unusable for long distance coin service,"³ a particular concern for persons from households without residential phone service.⁴ Since that time, no other carrier has emerged to take over this business. AT&T has begun disconnecting its facilities and, as a result, it is now becoming impossible for consumers to place interLATA coin calls from these Verizon payphones.

¹ The Verizon telephone companies are the local exchange carriers affiliated with Verizon Communications Inc. listed in Attachment A.

² *AT&T Communications Application To Discontinue Interstate Sent-Paid Coin Service Granted*, 16 FCC Rcd 18464 (2001).

³ TRAC at 5 in *Application of AT&T Communications: Application to Discontinue Interstate Sent-Paid Coin Service*, NSD File No. W-P-D-497 (July 20, 2001).

⁴ TRAC at 7 in *Application of AT&T Communications: Application to Discontinue Interstate Sent-Paid Coin Service*, NSD File No. W-P-D-497 (July 20, 2001).

Verizon has determined that there is a way for it to facilitate the provision of interLATA coin calling by other interexchange carriers. However, it would involve Verizon's local exchange carriers' delivering some of these interLATA calls to an interexchange carrier in a LATA that is different from the LATA in which the calls originate. This delivery of the call in a different LATA is itself an interLATA service (an interLATA service that Verizon would be providing to the participating interexchange carriers), which must be provided by an affiliate separate from Verizon's telephone companies. Verizon, therefore, asks the Commission to forbear from section 272 of the Act and the Commission's regulations to allow Verizon's local exchange carriers to provide sent-paid payphone access arrangements for interexchange carriers in those States in which Verizon may provide interLATA service.

Verizon would provide this service only in those States where it is permitted to provide interLATA service. It would offer the service to all interexchange carriers on nondiscriminatory terms and conditions pursuant to tariff, and the 1+ carrier from Verizon's "dumb" payphones would be selected in accordance with section 64.1340 of the Commission's rules.⁵ Verizon would also deliver interLATA sent-paid calls originating at "dumb" payphones of unaffiliated payphone providers using these same arrangements.

The Service

Verizon has approximately 325,000 "dumb" payphones. The "smarts" that permit these payphones to work are contained in telecommunications network equipment, in particular in

⁵ Declaration of Paul V. Francischetti ¶¶ 10-11. The Commission's rules permit Verizon "to negotiate with the location provider on the location provider's selecting and contracting with, and, subject to the terms of any agreement with the location provider, to select and contract with, the carriers that carry interLATA and intraLATA calls from their payphones."

operator services switches.⁶ These switches determine the appropriate rate for a sent-paid call, announce the rate to the caller and verify the correct coin deposit before releasing the call for completion. Verizon has 50 of these switches that serve the 137 LATAs in which Verizon has “dumb” payphones, and they currently perform these functions on intraLATA sent-paid calls from these payphones.⁷

AT&T has the capabilities to perform the functions necessary to handle sent-paid toll calls on its own. As far as Verizon knows, no other interexchange carrier has these capabilities in its own network.⁸

When AT&T discontinues this service, the only way that callers will be able to place interLATA coin calls from Verizon’s “dumb” payphones is if Verizon performs the coin rating functions for the interexchange carrier or carriers which transport the calls. Verizon can do this using the same equipment (its operator switches) it uses to perform these functions on intraLATA toll calls. There is no legal or regulatory constraint on Verizon’s doing this for calls originating from the 195,000 Verizon “dumb” payphones located in the 50 LATAs in which Verizon has an operator switch, and Verizon is preparing to offer such arrangements. And there would be no legal or regulatory constraint on Verizon’s using these switches to perform these functions on calls originating from the 130,000 Verizon “dumb” payphones located in the 77 LATAs in which Verizon does not have an operator switch — if Verizon could return the calls to

⁶ “Smart” payphones have built-in hardware and software that performs these functions, and they do not need these capabilities from the network.

⁷ Francischetti Dec. ¶ 2.

⁸ Francischetti Dec. ¶ 3.

the originating LATA for hand-off to the interexchange carrier.⁹ As described below, however, technical constraints make it impractical for Verizon to do this.¹⁰

Local exchange carrier switches use the carrier identification code ("CIC") they receive with a call to identify the carrier to which the call is to be routed. While an operator switch can route a call based on the CIC it receives, these switches had no need and, therefore, were not designed to remember the CIC, regenerate it and transmit it with calls it sent along. What this means is that if Verizon's operator switch were to route these interLATA coin calls to an access tandem in the originating LATA, that tandem would not know what interexchange carrier to deliver them to because there would be no CICs with the calls to identify that carrier.¹¹

Verizon could, in theory, construct direct trunks from the operator switches to interexchange carrier locations in the originating LATAs — bypassing the access tandems and making transmission of the CIC unnecessary. This would be a very expensive undertaking, requiring trunking from operator switches back to 77 LATAs at a cost estimated to be more than \$2 million per year — all for fewer than 400,000 calls annually.¹²

The only practical way to provide this service, therefore, is for Verizon to deliver the calls over dedicated trunks to the interexchange carriers in the LATA where the operator switch is located. The operator switch would have access to a Verizon database for rating information and to Verizon operators on those calls that require operator assistance. After the switch processed

⁹ Such a service would be intraLATA in nature, as it originates and terminates in the same LATA. See 47 U.S.C. § 153(21).

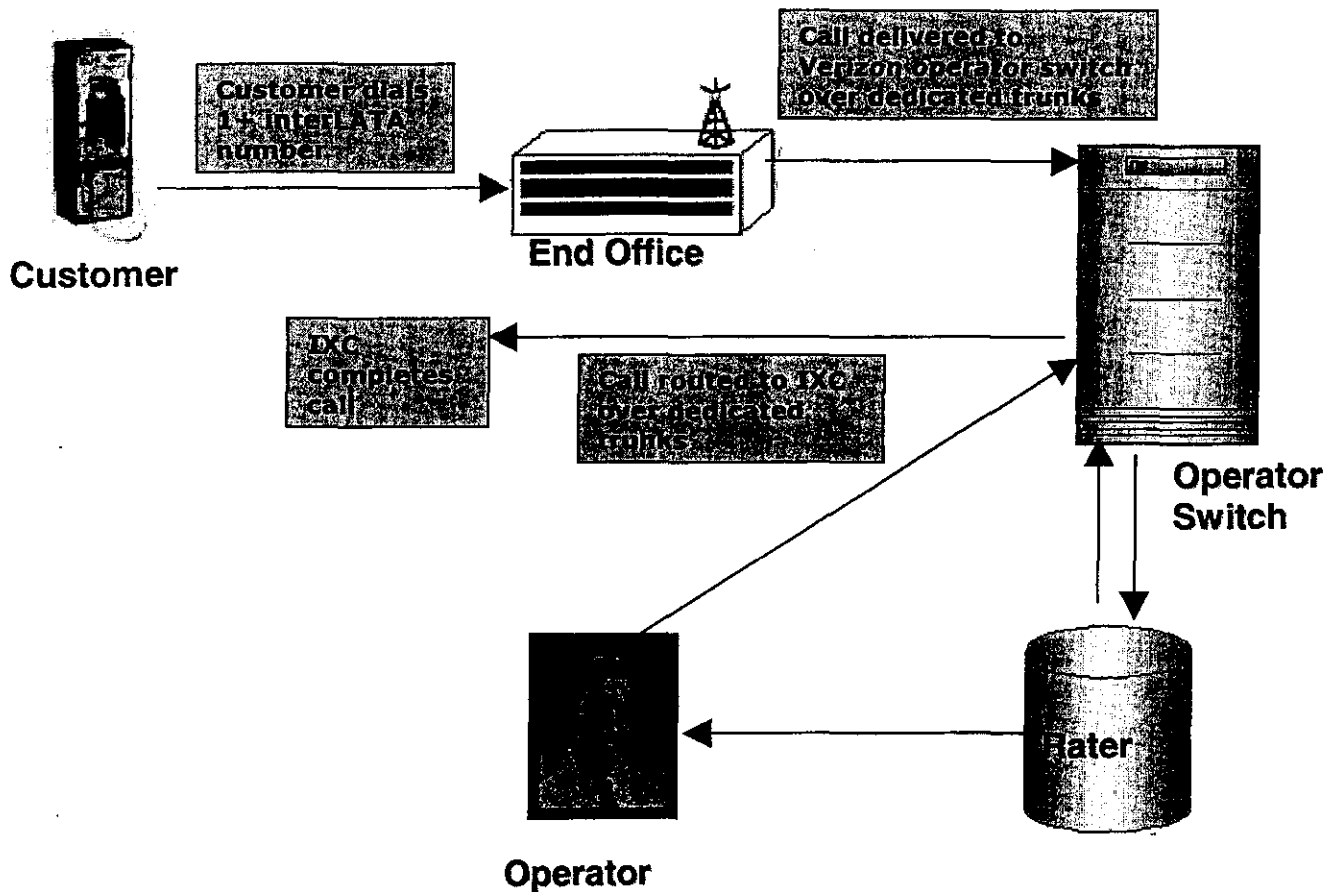
¹⁰ Francischetti Dec. ¶ 5.

¹¹ Francischetti Dec. ¶ 6.

¹² Francischetti Dec. ¶ 7.

these calls, they would go to the carriers directly over dedicated trunks, not through an access tandem. For this reason, the fact that no CIC is sent with the call does not cause a problem.¹³

These are the network elements Verizon would use to provide this service. In 77 LATAs in which Verizon has "dumb" payphones, there is no operator switch, and Verizon would provide the service through an operator switch in another LATA and hand the call off to an interexchange carrier in that LATA:



Carrying a call from one LATA to another for delivery to an interexchange carrier is an interLATA service. It is not an interLATA service that Verizon may provide through its

¹³

Francischetti Dec. ¶ 8.

telephone companies without a separate affiliate under either section 271(f) or section 271(g). Therefore, section 272 and the Commission's rules¹⁴ require that this service be provided by an affiliate separate from Verizon's local exchange carrier operations.

Use of an affiliate, however, is not practical. Verizon's long distance company does not have a network that can carry these interLATA coin calls directly from Verizon's end offices to the operator switches. And these calls cannot be sent through the Verizon access tandems because those switches cannot handle the special signaling that is required for coin service. Thus, only the Verizon telephone companies, and not the separate affiliate, can provide the interLATA transport that is necessary to make this arrangement work and to permit consumers to be able to continue to make interLATA coin calls from Verizon's payphones.¹⁵

Verizon would not be providing any interLATA service to the caller. It would be the interexchange carrier that completes the interLATA call to the number dialed by the caller and obtains the revenue for that call. The offer of the service will foster rather than hinder competition among interexchange carriers. No other carrier is equipped to provide the service previously provided by AT&T, and the proposed arrangements will enable other carriers to compete to provide services to the public.

Forbearance Is Appropriate

Section 10 of the Act requires the Commission to forbear from applying any regulation or any provision of the Act to telecommunications carriers or telecommunications services if the Commission determines that the three conditions set forth in section 10 are satisfied. In particular, section 10 provides that:

¹⁴ 47 C.F.R. §§ 53.201-03, 64.1901-03.

¹⁵ Francischetti Dec. ¶ 9.

“[T]he Commission shall forbear from applying any regulation or any provision of this Act to a telecommunications carrier or telecommunications service, or class of telecommunications carriers or telecommunications services, in any or some of its or their geographic markets, if the Commission determines that --

“(1) enforcement of such regulation or provision is not necessary to ensure that the charges, practices, classifications or regulations by, for, or in connection with that telecommunications carrier or telecommunications service are just and reasonable and are not unjustly or unreasonably discriminatory;

“(2) enforcement of such regulation or provision is not necessary for the protection of consumers; and

“(3) forbearance from applying such provision or regulation is consistent with the public interest.”¹⁶

With regard to the public interest determination required by section 10(a)(3), section 10(b) states that, “[i]f the Commission determines that such forbearance will promote competition among providers of telecommunications services, that determination may be the basis for a Commission finding that forbearance is in the public interest.”¹⁷

The Commission has forbore from separate affiliate requirements in several instances to allow telephone companies to provide services that the Act would allow them to provide only through separate affiliates.¹⁸ Perhaps the closest analogy is to be found in the series of orders in which the Commission permitted Verizon and other Bell companies to provide national directory

¹⁶ 47 U.S.C. § 160(a).

¹⁷ *Id.* § 160(b).

¹⁸ *E.g., Bell Operating Companies Petitions for Forbearance From the Application of Section 272 to Certain Activities*, 13 FCC Rcd 2627 (1998).

assistance services without having to utilize a separate affiliate.¹⁹ As in those cases, it is apparent here that the requirements for forbearance in section 10 are satisfied.

Verizon asks for forbearance for its operations in all states where it has “dumb” payphones. We recognize, of course, that Verizon may not provide interLATA service originating in six states²⁰ and that it must obtain interLATA authority under section 271 in those states before it may provide these arrangements for coin calling. The circumstances in these states do not differ in any material way from those in all the states in which Verizon may provide interLATA service, and there is no reason that the Commission should not grant forbearance for these states at this time too. Deferring consideration of forbearance for these states will add additional administrative burdens for absolutely no good reason.

Enforcement of separation requirements is not necessary to ensure that the charges, practices, classifications or regulations by, for, or in connection with that telecommunications carrier or telecommunications service are just and reasonable and are not unjustly or unreasonably discriminatory.

This access arrangement need not be provided through a separate affiliate in order to ensure that rates are just and reasonable or that it will be offered in a way that is not unjustly or unreasonably discriminatory. In fact, the Commission exercises greater regulatory control over services offered by Verizon than it does over services offered by Verizon’s separate long distance affiliates. As a result, it will be better able to ensure compliance with the Act if Verizon rather than its affiliates provide the service.

¹⁹ *Petition of U S WEST Communications, Inc. for a Declaratory Ruling Regarding the Provision of National Directory Assistance*, 14 FCC Rcd 16252 (1999); *Petition of Bell Atlantic for Forbearance from Section 272 Requirements in Connection With National Directory Assistance Services*, 14 FCC Rcd 21484 (1999); *BellSouth Petition for Forbearance for Nonlocal Directory Assistance Services*, 15 FCC Rcd 6053 (2000).

²⁰ Virginia, West Virginia, Maryland, D.C., Delaware and New Hampshire.

In addition, Verizon's long distance affiliates do not have the facilities necessary to provide these arrangements. If they had to build new facilities just to provide this service, the service would surely cost more than it would if provided by Verizon's telephone companies using facilities that already exist and that are used to provide intraLATA coin services.

Finally, Verizon will make these arrangements available to all interexchange carriers on nondiscriminatory terms and conditions. It will also provide these arrangements for delivery of calls originating from the payphones of other payphone providers.

Enforcement of separation requirements is not necessary for the protection of consumers.

Forbearance will further consumer interests. Without it, consumers will no longer be able to place interLATA coin calls from the 130,000 "dumb" Verizon payphones in LATAs without operator service switches.

Forbearance will promote competition in the provision of interLATA coin calling. Before AT&T's withdrawal, it was the only provider of this service from Verizon's "dumb" payphones — there was no competition in this marketplace. And, of course, absent forbearance, there will be no competition after AT&T's withdrawal. If Verizon's long distance affiliates were able to determine an economically feasible way to provide interLATA coin calling, the competitive situation would revert to the way it was when AT&T was in the business, a single provider.

Allowing the Verizon telephone companies to provide this interLATA coin rating service, however, will allow any interexchange carrier to carry interLATA coin calls. This will inject competition into a marketplace where there is none today.

Forbearance from separation requirements is consistent with the public interest.

It is in the public interest for consumers to continue to be able to make interLATA coin calls from payphones. Without forbearance, the public will lose this ability from 130,000 "dumb" Verizon payphones. As TRAC explained to the Commission last year, this is a special problem for the estimated 5.9 million Americans and 25 percent of the urban poor who have no home telephone service. Public Service Cellular showed that interLATA coin service is important to consumers in rural areas as well.²¹ Forbearance is, therefore, plainly in the public interest.

Conclusion

Verizon respectfully requests that the Commission grant this petition to ensure that consumers still have access to this useful service.

Respectfully submitted,

John M. Goodman /s/
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²¹ PSC at 2 in *Application of AT&T Communications: Application to Discontinue Interstate Sent-Paid Coin Service*, NSD File No. W-P-D-497 (July 20, 2001).

THE VERIZON TELEPHONE COMPANIES

The Verizon telephone companies are the following local exchange carriers affiliated with Verizon Communications Inc.:

Contel of the South, Inc. d/b/a Verizon Mid-States
GTE Midwest Incorporated d/b/a Verizon Midwest
GTE Southwest Incorporated d/b/a Verizon Southwest
Verizon California Inc.
Verizon Delaware Inc.
Verizon Florida Inc.
Verizon Hawaii Inc.
Verizon Maryland Inc.
Verizon New England Inc.
Verizon New Jersey Inc.
Verizon New York Inc.
Verizon North Inc.
Verizon Northwest Inc.
Verizon Pennsylvania Inc.
Verizon South Inc.
Verizon Virginia Inc.
Verizon Washington, DC Inc.
Verizon West Coast Inc.
Verizon West Virginia Inc.

DECLARATION OF PAUL V. FRANCISCETTI

PAUL V. FRANCISCETTI, under penalty of perjury, states:

1. My name is Paul V. Francischetti, and I am Vice President for Marketing and Business Development for Verizon's payphone business.

2. Verizon has approximately 325,000 "dumb" payphones. The intelligence that controls these payphones is contained in telecommunications network equipment, in particular in operator services switches. On coin (or sent-paid) calls, these switches determine the appropriate rate, announce that rate to the caller and verify the correct coin deposit before releasing the call for completion. Verizon has 50 of these switches that serve the 137 LATAs in which Verizon has "dumb" payphones, and they currently perform these functions on intraLATA sent-paid calls from these payphones.

3. AT&T had the facilities to perform these functions on interLATA calls and did so since divestiture in 1984. As far as I know, no other interexchange carrier has these capabilities, and since AT&T announced its intention to stop providing these services a year ago, no other carrier has emerged to take over this business.

4. AT&T has begun disconnecting its facilities in certain areas and will continue this process over the upcoming months.

5. With AT&T's discontinuation of this service and the lack of any other provider, the only way that callers will be able to place interLATA coin calls from Verizon's "dumb" payphones is if Verizon performs the coin rating functions for the interexchange carrier or carriers which transport the calls. Verizon can do this using the same equipment (its operator switches) it already uses to perform these functions on intraLATA toll calls. Verizon may do this now for calls originating from the 195,000

Verizon "dumb" payphones located in the 50 LATAs in which Verizon has an operator switch, and Verizon is preparing to offer such arrangements. And, if Verizon could return the calls to the originating LATA for hand-off to the interexchange carrier, it could also use these switches to perform these functions on calls originating from the 130,000 Verizon "dumb" payphones located in the 77 LATAs in which Verizon does not have an operator switch without the need for any special relief from the Commission. As described below, however, technical constraints make it impractical for Verizon to do this.

6. Local exchange carrier switches use the carrier identification code ("CIC") they receive with a call to identify the carrier to which the call is to be routed. While an operator switch can route a call based on the CIC it receives from another switch, these switches had no need and, therefore, were not designed to remember the CIC, regenerate it and transmit it with calls it sent along. What this means is that if Verizon's operator switch were to route these interLATA coin calls to an access tandem in the originating LATA, that tandem would not know what interexchange carrier to deliver them to because there would be no CICs with the calls to identify that carrier.

7. Verizon could, in theory, construct direct trunks from the operator switches to interexchange carrier locations in the originating LATAs — bypassing the access tandems and making transmission of the CIC unnecessary. This would be a very expensive undertaking, requiring trunking from operator switches back to 77 LATAs at a cost estimated to be more than \$2 million per year — all for fewer than 400,000 calls annually.

8. The only practical way for Verizon to provide this service, therefore, is to

deliver the calls over dedicated trunks to the interexchange carriers in the LATA where the operator switch is located. The operator switch would have access to a Verizon database for rating information and to Verizon operators on those calls that require operator assistance. After the switch processed these calls, they would go to the carriers directly over dedicated trunks, not through an access tandem. For this reason, the fact that no CIC is sent with the call does not cause a problem.

9. It would not be practical for Verizon to use its interLATA affiliates to provide the transport from the originating LATA to the operator switches. Because coin calls require a special form of signaling, they cannot be carried over facilities that are used to carry other calls, and they must be carried from the end office directly to the operator switch over dedicated facilities. Verizon's long distance affiliates do not now have facilities from every end office in the 77 LATAs that serves a "dumb" payphone to an operator switch in another LATA, and it would be economically infeasible to construct such a network just to carry these calls.

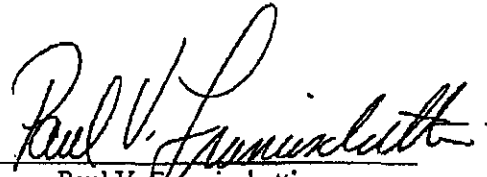
10. Verizon plans to offer this coin access arrangement pursuant to tariff. Therefore, the service would be available to all interexchange carriers on the same terms. Verizon would also use these same arrangements to deliver interLATA sent-paid calls originating at "dumb" payphones of unaffiliated payphone providers.

11. The interLATA coin call carrier from these payphones would be selected in the same manner that presubscribed carriers are selected for other calls from Verizon payphones. Consistent with section 64.1340 of the Commission's rules, Verizon would negotiate with the location provider on the location provider's selecting and contracting with a carrier to handle the interLATA coin calls and, subject to the terms of any

agreement with the location provider, would select and contract with such a carrier.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on July 24, 2002


Paul V. Francischetti